

Retail Equity Research

**Prince Pipes & Fittings Ltd.**  
 Plastic pipes

BSE CODE : 542907  
BLOOMBERG CODE: PRNCEPIP:IN

NSE CODE: PRNCEPIPE  
SENSEX : 62,846

12 Months Investment Period  
**CMP Rs.637**    **TARGET Rs.736**  
(Closing: 29-05-23)

Rating as per Small Cap  
**RETURN 16%**    

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Margin expands...demand outlook healthy

- Prince Pipes & Fittings Ltd. (PPFL) is one of the leading manufacturers of plastic pipes in India, with 5.5% of the overall market share. Products are marketed under the brand names: Prince Piping Systems and Trubore.
- In Q4FY23, revenue declined by 15% YoY, largely due to a 27.5% YoY decline in RM prices.
  - Gross margin improved by 570bps YoY on account fall in input costs. EBITDA grew by 6% YoY, and margin improved by 380bps YoY to 19.4%.
  - Overall demand environment remains steady, driven by benign input costs and healthy demand from the agri. & housing segments.
  - PVC prices have largely stabilized, and going ahead with the exhaustion of high cost inventory, margins are expected to stabilize in the range of ~15%.
  - We value PPL at a P/E of 26x on FY25E and maintain Accumulate rating with a target price of Rs. 736.

Demand to remain healthy...

Revenue for Q4FY23 declined by 15% YoY, largely due to a 13% YoY decrease in realization on account of a 27.5% YoY fall in input costs. Q4 volume declined by 2% YoY. As per management, strong demand from the housing and agriculture sectors is continuing. However, PPL’s H1FY24 is expected to see some volatility due to the migration to a global ERP system. PPL has forayed into the bath ware and faucet segments; the entire range of these products is expected to be launched by the end of Q1 FY24. The planned capex is Rs150cr, of which Rs.80cr 80 crore will be spent on setting up a greenfield plant in Bihar as part of the expansion of east India, and Rs.80cr will be spent on maintenance. Going ahead, strong agri. and steady demand from the real estate sector will drive volumes for the company. We expect revenue to grow at a CAGR of 13% over FY23–FY25E.

Input cost eases....margins improves

In Q4FY23, gross margin expanded by 570bps YoY to 33.0% due to ease in input costs. Inventory gain during the quarter was Rs.25cr. Reported EBITDA grew by 6% YoY, while EBITDA margin improved by 380bps YoY to 19.4%. While EBITDA margin adjusted for inventory gain was at 16.1%, exceeding the previous five quarters. PAT grew by a modest 7% YoY. We believe that the worst impact on margins has passed, and we anticipate EBITDA margin to remain healthy at ~15% over FY24-25E. Going ahead, healthy demand from housing and agriculture pipes is expected to drive earnings growth.

Valuations

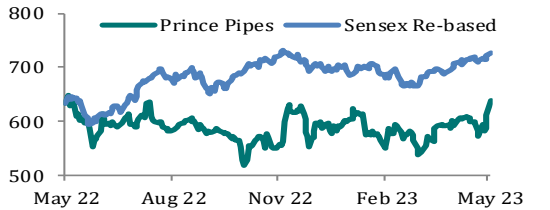
We expect volume growth to continue, driven by the improvement in demand from the agriculture and construction sectors, affordable PVC prices, and lower inventory in channels. We value PPL at a P/E of 26x on FY25E and maintain Accumulate, with a target price of Rs. 736.

Company Data	
Market Cap (cr)	Rs.7,041
Enterprise Value (cr)	Rs.6,974
Outstanding Shares (cr)	11.1
Free Float	37.1%
Dividend Yield	0.55%
52 week high	Rs.664
52 week low	Rs.513
6m average volume (cr)	0.01
Beta	0.7
Face value	Rs.10

Shareholding (%)	Q2FY23	Q3FY23	Q4FY23
Promoters	62.9	62.9	60.9
FII's	4.0	4.4	6.2
MFs/Institutions	14.6	15.5	15.5
Public	16.8	15.8	15.8
Others	1.7	1.4	1.6
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	15.4%	14.7%	0.5%
Absolute Sensex	6.6%	-0.4%	14.5%
Relative Return*	8.8%	15.1%	-14.0%

\*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Sales	2,711	3,015	3,481
Growth (%)	2.0	11.2	15.5
EBITDA	250	437	515
EBITDA Margin (%)	9.2	14.5	14.8
PAT Adjusted	121	257	312
Growth (%)	(51.3)	111.3	21.4
Adjusted EPS	11.0	23.3	28.3
Growth (%)	(51.3)	111.3	21.4
P/E	57.7	27.3	22.5
P/B	2.3	1.9	1.6
EV/EBITDA	27.9	16.0	13.4
ROE (%)	9.2	17.3	17.9
D/E	0.0	0.0	0.0

ANIL R  
Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

(Rs cr)	Q4FY23	Q4FY22	YoY Growth (%)	Q3FY23	QoQ Growth (%)
Sales	764	901	(15.2)	706	8.3
EBITDA	148	141	5.6	69	113.5
EBITDA margins	19.4	15.6	380bps	9.8	960bps
Depreciation	21	20	6.2	21	0.4
EBIT	127	121	5.5	48	163.0
Interest	3	4	(30.0)	2	74.6
Other Income	3	-	-	1	-
Exceptional Items	-	-	-	-	-
PBT	128	117	9.5	48	166.1
Tax	34	28	18.4	13	166.6
Share of profit from Associate	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Reported PAT	94	88	6.7	35	166.0
Adjustments	-	-	-	-	-
Adj PAT	94	88	6.7	35	166.0
No. of Shares	11.1	11.1	-	11.1	-
EPS (Rs)	8.6	8.0	6.7	3.2	166.0

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	3,154	3,535	3,015	3,481	(4.4)	(1.5)
EBITDA	420	484	437	515	4.1	6.4
Margins (%)	13.3	13.7	14.5	14.8	120bps	110bps
Adj. PAT	244	291	257	312	5.1	7.1
EPS	22.2	26.5	23.3	28.3	5.1	7.1

Standalone Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	2,072	2,657	2,711	3,015	3,481
% change	26.6	28.3	2.0	11.2	15.5
EBITDA	362	416	250	437	515
% change	58.1	14.9	(39.8)	74.6	17.9
Depreciation	59	70	83	94	105
EBIT	302	345	167	343	410
Interest	21	14	11	11	6
Other Income	18	5	9	9	11
PBT	299	337	165	342	415
% change	98.7	12.6	(51.1)	107.5	21.4
Tax	77	87	43	86	104
Tax Rate	25.8%	26.0%	26.3%	25.0%	25.0%
Reported PAT	222	249	121	257	312
Adj*	0	0	0	0	0
Adj PAT	222	249	121	257	312
% change	97.2	12.4	(51.3)	111.3	21.4
No. of shares (cr)	11.0	11.1	11.1	11.1	11.1
Adj EPS (Rs.)	20.2	22.7	11.0	23.3	28.3
% change	97.2	12.4	(51.3)	111.3	21.4
DPS (Rs.)	2	3	2	2	2
CEPS (Rs.)	25.6	28.9	18.5	31.7	37.7

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	8	32	121	79	155
Accounts Receivable	353	435	415	479	553
Inventories	227	619	426	535	618
Other Cur. Assets	436	174	96	109	126
Investments	1	12	92	122	157
Gross Fixed Assets	695	904	1,025	1,155	1,255
Net Fixed Assets	495	642	680	716	711
CWIP	77	23	19	30	30
Intangible Assets	8	4	6	6	6
Def. Tax (Net)	(13)	(12)	(14)	(14)	(14)
Other Assets	0	0	(0)	-	-
Total Assets	1,593	1,927	1,841	2,062	2,342
Current Liabilities	433	495	398	404	412
Provisions	13	15	16	17	19
Debt Funds	100	150	58	38	18
Other Liabilities	3	2	5	5	5
Equity Capital	110	111	111	111	111
Reserves & Surplus	933	1,155	1,253	1,488	1,777
Shareholder's Fund	1,043	1,265	1,364	1,598	1,888
Total Liabilities	1,593	1,927	1,841	2,062	2,342
BVPS (Rs.)	217	264	284	333	393

CASH FLOW

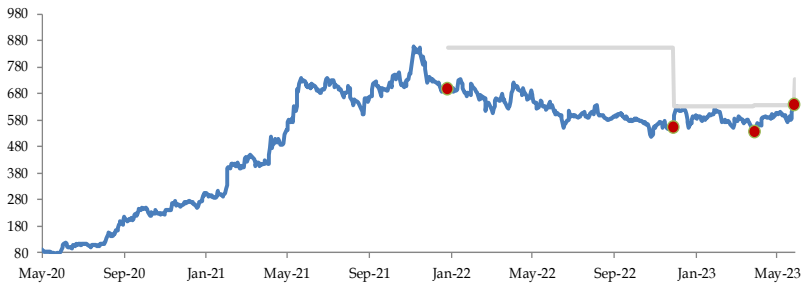
Y.E March (Rs.cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	281	320	204	350	416
Non-cash adj.	41	14	8	11	6
Changes in W.C	(15)	(353)	147	(179)	(164)
C.F. Operation	307	(20)	360	181	258
Capital exp.	(145)	(169)	(100)	(141)	(100)
Change in inv.	60	185	(53)	(30)	(35)
Other invest.CF	0	5	5	-	-
C.F - Investment	(86)	20	(148)	(171)	(135)
Issue of equity	(1)	11	-	-	-
Issue/repay debt	(176)	64	(89)	(20)	(20)
Dividends paid	(17)	(39)	(22)	(22)	(22)
Other finance.CF	(20)	(14)	(11)	(11)	(6)
C.F - Finance	(213)	22	(122)	(53)	(48)
Chg. in cash	8	23	90	(42)	76
Closing cash	8	32	121	79	155

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	17.5	15.6	9.2	14.5	14.8
EBIT margin (%)	14.6	13.0	6.2	11.4	11.8
Net profit mgn.(%)	10.7	9.4	4.5	8.5	9.0
ROE (%)	23.6	21.6	9.2	17.3	17.9
ROCE (%)	21.2	20.3	9.1	17.3	17.8
W.C & Liquidity					
Receivables (days)	47	54	57	54	54
Inventory (days)	76	82	91	81	84
Payables (days)	95	90	78	67	59
Current ratio (x)	2.3	2.5	2.6	2.9	3.4
Quick ratio (x)	0.8	0.9	1.3	1.4	1.7
Turnover & Leverage					
Gross asset T.O (x)	3.1	3.3	2.8	2.8	2.9
Total asset T.O (x)	1.4	1.5	1.4	1.5	1.6
Int. coverage ratio (x)	14.6	24.8	15.2	32.4	72.9
Adj. debt/equity (x)	0.1	0.1	0.0	0.0	0.0
Valuation					
EV/Sales (x)	3.3	2.7	2.6	2.3	2.0
EV/EBITDA (x)	19.0	17.2	27.9	16.0	13.4
P/E (x)	31.6	28.1	57.7	27.3	22.5
P/BV (x)	3.0	2.4	2.3	1.9	1.6

Recommendation summary (Last 3 Years)

Dates	Rating	Target
29-December-21	BUY	855
01-December-22	ACCUMULATE	633
31-March 23	ACCUMULATE	635
30-May 23	ACCUMULATE	736



Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

- Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.
- Accumulate:** Partial buying or to accumulate as CMP dips in the future.
- Hold:** Hold the stock with the expected target mentioned in the note.
- Reduce:** Reduce your exposure to the stock due to limited upside.
- Sell:** Exit from the stock.
- Not rated:** The analyst has no investment opinion on the stock.
- Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute ‘Accumulate’ as Buy and ‘Reduce’ as Sell. The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL. Not rated/Neutral- The analyst has no investment opinion on the stock under review

General Disclosures and Disclaimers

CERTIFICATION

I, ANIL R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of GeojitFinancial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.



#### FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report.

The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

#### JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

#### REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

##### 1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

##### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

##### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

##### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I ANIL R, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

##### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

##### 6. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

7. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing .

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com). For grievances: [grievances@geojit.com](mailto:grievances@geojit.com). For compliance officer: [compliance@geojit.com](mailto:compliance@geojit.com).

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: IN-H200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

